

## 1260.01 Prompt Payment for Goods or Services

Issued January 1, 1994

SUBJECT: Prompt Payment for Goods or Services

APPLICATION: Executive Branch Departments and Sub-units.

PURPOSE: To prescribe guidelines for prompt payment of goods or services received.

CONTACT AGENCY: Office of Financial Management (OFM).

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SUMMARY: The following policy applies to contracts with outside vendors only. Section 2, Public Act 279 of 1984 provides: "Unless otherwise agreed in writing, a principal executive department shall take all steps necessary to assure that payment for goods or services is mailed 45 days after the principal executive department receives the goods or services, a complete invoice for the goods or services, or a complete contract for goods or services, whichever is later."

APPLICABLE FORMS: None.

Agency:

- Should notify the vendor within 10 days from receipt of the invoice if an invoice is incorrect or contains a defect or impropriety.
- Should make payment within the 45 days as defined above, if the vendor corrects the invoice within 5 days of being notified.
- Should pay the vendor, for all payments not made within 45 days, an amount equal to .75% of the payment due (if late payment charge is not included in invoice amount).
  - An additional amount equal to .75% of the payment due should be paid the vendor for the first month and each succeeding month or portion of a month the payment remains past due.
  - This payment is to be made without additional notice from the vendor.
  - If a payment voucher includes a penalty payment, it should be noted in the message area on the payment voucher or the notepad.
  - A comptroller object code has been established as the charge code for this penalty payment.

Note: This procedure shall not apply if:

- A payment is delayed due to a good faith disagreement between the agency and vendor, unless the dispute is resolved in favor of the vendor.
- A payment is past due because of an executive order budget cut.
- A department or agency pays a penalty or interest payment charged by a vendor for late payment
- For guidance regarding object codes, refer to the OFM Object Code Manual at <http://www.state.mi.us/dmb/ofm>, under User Guides.
- For further guidance concerning this policy, contact your central accounting office.

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